

A Tale of Two Expansions:
Intergenerational Equity, Quality, and Funding
Fairness for Today's University Students

OCUFA RESEARCH PAPER SERIES

ONTARIO CONFEDERATION OF UNIVERSITY FACULTY ASSOCIATIONS

SEPTEMBER 24, 2007

Executive summary

1. Beginning in the 1960s, the baby boom generation went to university at historically unprecedented rates. University participation rates doubled. As a result, university enrolments tripled.
2. Today, participation rates continue to increase significantly. In 2005, the Liberal Government's *Reaching Higher* plan predicted an increase of 46,000 by 2009-10, over 2002-2003. The Council of Ontario Universities now expects that increase will be 92, 000 – close to the increase that occurred from 1969-1977.
3. But a generation gap has appeared. Ontario is not committing the resources to the children of baby boomers it did for their parents 30 years ago – even though, it is estimated, 70 per cent of jobs will require a university education.
4. The gap is substantial. The Ontario of the boomers' university years never wavered in its commitment to higher education. In inflation-adjusted terms, the annual provincial operating allocation for universities in 1976-77 was \$1.3 billion higher than in 1971-72, almost double the annual \$771-million increase *Reaching Higher* planned for 2009-10 over 2004-05.
5. These generational differences mean that today's funding per student falls woefully short that of the 1970s: an average \$4,271 per student today versus \$6,568 in the 1970s, a gap of \$2,297, or 35 per cent less.
6. In the 1970s, the Ontario government devoted six per cent of its Budget to university operating budgets, some .84 per cent of the province's GDP. Today, its university operating funding is half that – three per cent of the provincial Budget – and only .47 per cent of Ontario's GDP.
7. The student faculty ratio – a key component of education quality – has almost doubled since the 1970s, from 15 students per professor to today's 27.
8. Notably, *Reaching Higher* comes after almost a decade of funding cuts (totaling about 20 per cent of operating funding). *Reaching Higher* is, in a sense, only catch-up hockey. The 1970s funding improvements, on the other hand, followed years of ever-increasing provincial investment in higher education.
9. To achieve intergenerational equity, Ontario needs to increase per student funding to 1970s levels, and must commit an additional \$1.6 billion per year immediately.

After its election in 2003, the Liberal Government of Ontario commissioned the Rae Review of post-secondary education in the province. In 2005, the Government announced its plan to implement a number of the review's recommendations. Called *Reaching Higher*, the plan was hailed by the Government as the most significant investment in post-secondary education in a generation.

The early to middle 1970s witnessed an increase in enrolments comparable to the increases now happening at Ontario universities. As is the case today, in the 1970s there were concerns about ensuring that Ontario universities had the capacity to deliver a quality education and graduate the next generation with the talent to fill a growing number of knowledge-intensive and creative positions.

But there are significant differences between what resources governments today are prepared to commit to reach those goals and what resources their predecessors committed in the 1970s.

A tale of two expansions: the 1970s and today

In addition to addressing the chronic under-funding of universities of the 1995-2005 years, *Reaching Higher* was expected to address anticipated shifts in student enrolment, including unprecedented growth in the number of graduate students. Although the plan anticipated there would be 46,000 more full-time equivalent (FTE) students in 2009-10 than 2002-03, the Council of Ontario Universities (COU) for its part now expects the increase will be 92,000.¹ The previous occasion

¹ Council of Ontario Universities, *Progress Report: University Access, Accountability and Quality in the Reaching Higher Plan*, November 2006. Forecasts refer to eligible students only. Eligible students are those registered in programs for which universities receive operating funding from the MTCU. Ineligible students include international students and students in programs that are not eligible for provincial operating funding.

when enrolment growth over a similar period was close to 90,000 was from 1969-70 to 1976-77.²

The funding horizon of *Reaching Higher* is 2004-05 to 2009-10. The corresponding funding years in the 1970s are, thus, from 1971-72 to 1976-77. For universities and colleges combined, *Reaching Higher* planned for a cumulative increase in funding of \$6.2 billion, as shown in the following table. Of that almost \$4.3 billion is earmarked for operating funding.

Reaching Higher: New Ongoing Operating Investments *							
(\$ Millions)							
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Cumul-ative Total
Student Financial Assistance	150	192	241	282	314	358	1,537
Operating Grants to Colleges and Universities	50	447	732	932	958	1,156	4,275
Training and Apprenticeship and Other Initiatives	-	44	62	86	87	87	366
Total New Investment	200	683	1,035	1,300	1,359	1,601	6,178
* Increase over 2004-05 base funding, which is the 2004-05 Interim excluding \$200 million in expenditures provided for the Ontario Student Opportunities Trust Fund, endowments for graduate fellowships and faculty research chairs, and college stabilization. Source: Ontario Ministry of Finance.							

The government did not specify the portion of operating grants to be allocated to universities, but the COU's estimates (shown in the following table) indicate the cumulative increase will be about \$2.7 billion.³

² In relative terms, the increase in the enrolments in the earlier period is larger, 43 per cent, than current increases, expected to be 32 per cent. Nevertheless, comparing cumulative increases in spending must be based on similar enrolment increases.

³ COU, *Progress Report: University Access, Accountability and Quality in the Reaching Higher Plan*, November 2006.

University portion of Operating Grants (COU estimate) (\$ Millions)							
	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	Cumu-lative
Above 2004-05 base*		322	467	584	603	771	2,747
Annual increase		322	145	117	19	168	771
Annual change		12%	8%	5%	1%	5%	35%
* excludes \$25 million allocated in 2004-05 for Ontario Research Chairs							

Impressive as cumulative totals may be, it is the annual allocation that matters most for assessing how fully funding increases follow enrolment increases. In inflation-adjusted terms, the annual provincial operating allocation for universities in 1976-77 was \$1.3 billion higher than in 1971-72, almost double the annual \$771-million increase *Reaching Higher* planned for 2009-10 over 2004-05.

Intergenerational differences that matter

The first difference between the period of *Reaching Higher* and the 1970s expansion is the levels of funding in their respective preceding periods. A serious public commitment in the 1960s to funding and building a university system that would provide equality of access and quality education formed the basis of continued expansion in the 1970s. In contrast, in the decade before the 2003 provincial election, ⁴ on a per student or “basic income unit” (BIU) basis, provincial operating allocations for universities declined by over 20 per cent.

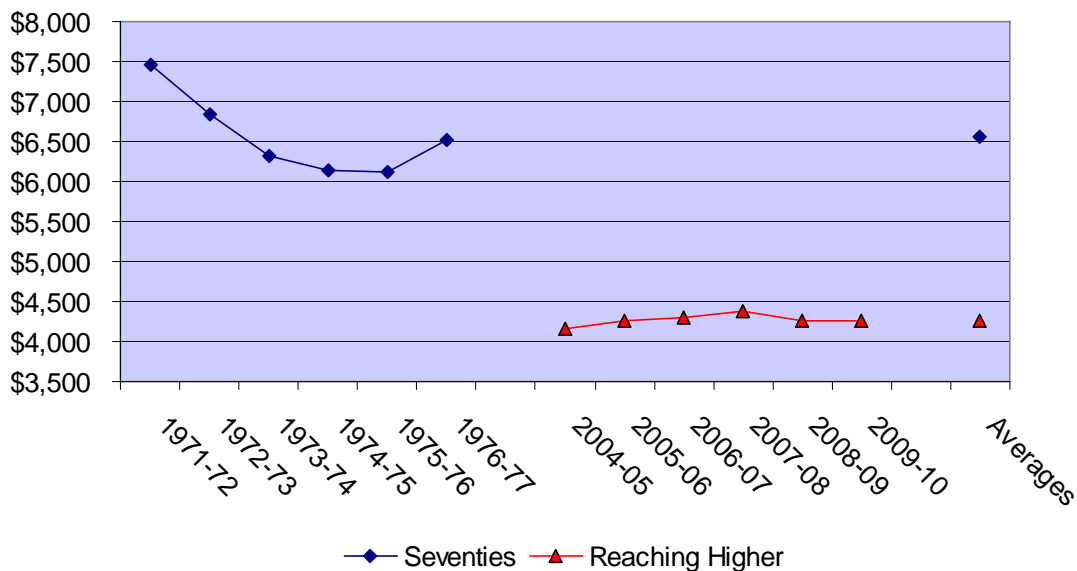
A second difference is that graduate students will make up a greater proportion of the current expansion than they did in the 1970s. An additional 14,000 masters and doctoral students are expected to attend Ontario universities in 2009-10. As

⁴ Basic income unit is a weighted student enrolment measure designed to reflect differences in programs and levels of study and the resources required to support them. Provincial operating allocations are transfers directly to universities for operating funding, excluding compensation for municipal taxation.

measured in BIUs, this represents a five-year increase of 43 per cent; in the 1970s, the increase over a similar time-span was much less, only 13 per cent.

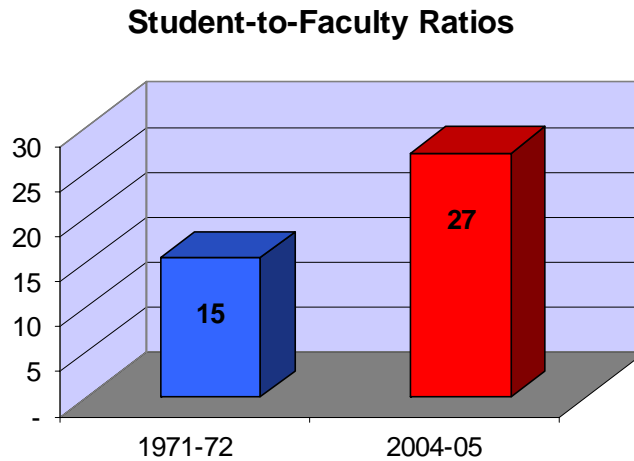
Taken together – the level of funding per BIU and the higher-than-expected increase in enrolments – mean that provincial operating funding per BIU will remain substantially below the levels of the 1970s. The average provincial government funding per BIU in the 1970s was \$6,568 in 2004-05 dollars – even as governments underwent fiscal restraint. With the revised student enrolment forecast, the average operating funding per BIU in the *Reaching Higher* plan will be \$4,271. The difference is \$2,297, or 35 per cent less than in the 1970s.

Provincial operating allocation per BIU



Not surprisingly, there is a parallel difference in the one benchmark of quality that can be compared accurately between the two periods. Even though the expansion in the 1970s followed an even larger expansion of the system in the 1960s, in which the potential for the demand for faculty to outstrip supply was

much greater, enough full-time faculty were hired to attain a student-faculty ratio of 15-to-1 in 1971-72. In contrast, in 2004-05, the ratio was 27-to-1.



A better student-to-full-time faculty ratio is essential to the three pillars of quality in post-secondary education: knowledge diversity, knowledge innovation, and knowledge environment. The diversity of knowledge means the number of courses available across a broad range of disciplines. Bringing innovation to the classroom is enhanced by the number of full-time faculty who can both keep their courses current with findings from the latest research and offer research opportunities to the growing number of graduate students. Along with facilities and resources, the quality of interaction between students and faculty is a crucial feature of the knowledge environment.

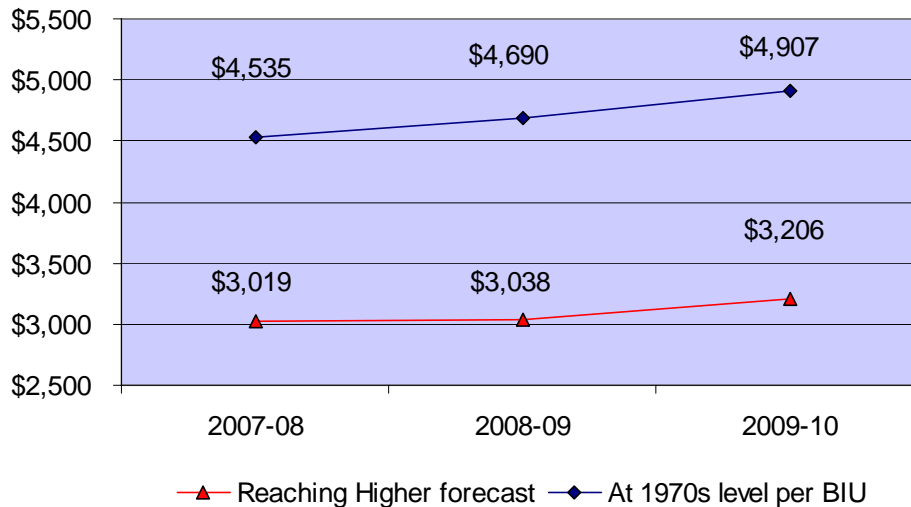
Intergenerational equity: funding for access and quality

From their high school years to their passage into graduate studies, the students of the “double cohort” have been the object of experimentation, and subjected to poor planning and inadequate funding that have cheated them of the levels of

quality enjoyed by other generations. *Reaching Higher* does represent a real commitment to ensuring access and quality for a newer generation of university students.

Given the magnitude of the losses of provincial government support previously felt in university operating budgets, however, ensuring that the “echo” generation enjoys the same levels of quality and access as the “boomer” generation will require more funding than currently planned. If future provincial operating funding per BIU were to reach the same level as in the 1970s, provincial allocations to universities would have to increase to \$4.9 billion per year by 2009-10.

**Provincial Operating Allocations to Universities
(millions)**



In addition to funding already planned as part of *Reaching Higher*, as much as \$1.7 billion may be required if increases in enrolment and inflation are taken into account.

Additional required (\$ millions)	2007-08	2008-09	2009-10
1970s - inflation adjusted	\$ 1,516	\$ 1,652	\$ 1,701

These additional investments are not out of reach for Ontario. In the 1970s, provincial funding for university operating allocations represented six per cent of the total provincial government budget, and 0.84 per cent of the provincial gross domestic product (GDP). Today, the corresponding figures are three per cent of the provincial budget and 0.47 per cent of GDP. To return funding to 1970s levels, even after accounting for inflation, would still consume less of the budget – five per cent – and of provincial GDP – 0.79 per cent – than was the case in the 1970s.

Nor does the provincial government have to come up with the funding on its own. The federal government has announced increased funding for the Canada Social Transfer (CST) payments to the provinces in its 2007 budget, including future notional amounts for post-secondary education. This represents additional funding not already included in *Reaching Higher*. Provided federal funds are used to supplement planned provincial funding, additional funding required from provincial sources will be correspondingly less. If, for example, \$350 million of the additional federal revenues were added to university operating funding for 2008-09, the additional funding from provincial sources would have to be \$1.3 billion.

Restoring equity: conclusions and recommendations

If increasing participation to enhance the presence of under-represented groups in the student population and to provide all students with the opportunity to obtain a university education remains a goal of the provincial government, student enrolments will continue to increase for the foreseeable future. Ensuring access and elevating quality in Ontario's university system requires political vision of the sort that supported a previous generation's university experience in the 1960s and 1970s. OCUFA therefore recommends that the next government:

1. Commit to reaching the average 1970s operating funding per BIU, adjusted for inflation.
2. Restore a student-faculty ratio of 15-to-1.
3. In the immediate term, commit to an additional \$1.6 billion in annual funding to Ontario universities.
4. Commit to directing all \$350 million of the anticipated increase in federal transfer payments towards augmenting its support for universities, instead of using it to replace previously committed provincial funding.